

**REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS
OF SAN BERNARDINO COUNTY, CALIFORNIA
AND RECORD OF ACTION**

August 5, 2003

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FROM: **JOHN D. GOSS, Assistant County Administrator**
Economic Development/Public Services Group Administration

**SUBJECT: AMENDMENT TO ATTORNEY SERVICES CONTRACT WITH LATHAM AND
 WATKINS, LLP**

RECOMMENDATION: Acting as the governing body of the San Bernardino County Financing Authority, approve Amendment No. A-2 to Agreement No. 98-990 with Latham & Watkins LLP, for legal services increasing fees for legal services for a total not to exceed \$75,000.

BACKGROUND INFORMATION: The County previously formed assessment districts within certain county service areas to provide water and sewer improvements to service the needs of communities located in unincorporated desert areas of the County. The improvements were financed through the sale of bonds and were secured by assessment liens on the properties, which benefited by the improvements. The bonds were issued under the San Bernardino County Financing Authority (Authority) on behalf of the county service areas and the bond covenants require the County to pursue foreclosure actions against delinquent properties. In 1994, the Authority refinanced two series of Revenue Bonds, \$12,050,000 Series A Senior Bonds and \$10,490,000 Series B Subordinated Bonds (collectively, "Bonds") to refinance 1915 Act Bonds related to 11 assessment districts previously formed within the County of San Bernardino.

In December 1998, the Board of Supervisors (on behalf of the authority) approved an agreement with Latham & Watkins, Agreement No. 98-990, for specialized legal services and advising related to the refinancing. Latham & Watkins was hired for its special expertise in this area and the County was initially extended a reduced-from-normal hourly rate of \$250 for attorney services. In February 2000, the agreement was modified by Amendment Number A-1 to approve an increase in the hourly rate to \$280 for attorney services.

Latham & Watkins is requesting approval of their normal proposed rates, fees and charges, which are listed on Attachment "A", of Amendment Number A-2 to continue work on matters related to the refinancing district. Approval of this action will amend the Attorney Services Agreement with Latham & Watkins to reflect their current fee structure of \$390 per hour for attorney time from the senior partner. Approval of the amendment to the agreement for services with Latham & Watkins is necessary to continue legal services in this specialized legal area and in connection with the bond funding related to the refinancing district.

REVIEW BY OTHERS: This action has been reviewed by County Counsel (Michelle Blakemore) on July 28, 2003. This item has also been reviewed by the County Administrative Office (Wayne Thies, Administrative Analyst) on July 28, 2003.

Record of Action of the Board of Supervisors

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FINANCIAL IMPACT: The Special Districts Department administers the Assessment liens, which secure the payments to bondholders. The original assessment bonds in the name of the County were subsequently refunded under the Authority. Legal fees associated with annual monitoring of debt service payments are the financial responsibility of the Authority however; are administered by the Special Districts Department. The firm's legal fees are budgeted in the Special District's administrative fund (SKV 105 110) and have historically been advanced by Authority funds. In the event bonds are refinanced, the Authority may be reimbursed for those expenditures. To date, the Authority has expended approximately \$102,000 on this contract.

COST REDUCTION REVIEW: The County Administrative Office and County Counsel have reviewed this agenda item and concur that the action is necessary to protect the county's financial interest. The legal work requested under this amendment is required under the operative bond foreclosure covenants of the related bond documents.

SUPERVISORIAL DISTRICT(S): First, Second, and Third

PRESENTER: Emil A. Marzullo 387-5950